

G R Evans
Vice President
Federal Regulatory Affairs

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NYNEX

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

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Mr. William F. Caton
Acting Secretary
Federal Communications Commission
Room 222
1919 M Street, NW
Washington, DC 20554

RE: CC Docket 96-45; CC Docket No. 95-185; CC Docket No 94-54; CC Docket 94-1

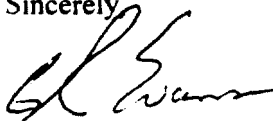
Dear Mr. Caton:

Yesterday in several meetings, Mr. T. Tauke, Mr. F. Gumper, Ms. S. Guyer and I, representing NYNEX, met with Chairman Hundt, Mr. J. Nakahata, Mr. J. Farrell, Mr. D. Gips, Ms. R. Keeney, Mr. R. Metzger, Mr. D. Ellen, Mr. R. Pepper, Mr. R. Welch, Mr. L. Atlas, Ms. M. Farquhar, Ms. K. Levitz and Mr. E. Maxwell. The purpose of the meetings was to discuss general issues relating to implementation of the Telecommunications Act of 1996 (the Act).

Specifically, the NYNEX representatives discussed ideas for implementing Section 254 of the Act, and discussed using the Benchmark Cost Model for developing a more targeted funding approach to high cost support for Price Cap companies. Regarding Access Reform, the NYNEX representatives discussed an adaptive regulatory framework for the FCC to utilize as competition evolves. The attached material was used as a discussion guide.

The subject of reciprocal compensation for interconnecting local exchange carriers, including CMRS providers, was discussed. NYNEX representatives explained that there are reciprocal compensation agreements in New York with CMRS providers.

Sincerely,



Attachment

cc: Chairman Hundt
L. Atlas
D. Ellen
M. Farquhar
J. Farrell
D. Gips
R. Keeney

K. Levitz
E. Maxwell
R. Metzger
J. Nakahata
R. Pepper
R. Welch



AGENDA

- **INTERCONNECTION**
- **LONG DISTANCE ENTRY**
- **UNIVERSAL SERVICE**
- **ACCESS REFORM**

HOW IS UNIVERSAL SERVICE FUNDED TODAY?

- **Funded through Explicit and Implicit subsidies**
 - » Explicit subsidies funded by LECs and IXC
 - » Implicit subsidies funded through LECs access charges and state toll rates

UNIVERSAL SERVICE OPTIONS

- **OPTION I**

- » Rate rebalancing

- **OPTION II**

- » All subsidies in USF
- » FCC manage decline
- » (Large Fund; no education)

- **OPTION III**

- » Access Reform (small USF)
- » Companies given tools to manage access rates in competitive environment

UNIVERSAL SERVICE:

- **WHAT IS THE PROBLEM TO BE SOLVED?**

- Very High Cost-Areas
- Telephone Subscribership
- Education and Health Access

UNIVERSAL SERVICE: EDUCATION

- **Learning Link**

- » **Services Included**

- **Basic Telecommunications Services**
 - **Internet Link**
 - **Transport**
 - **Access**
 - **Voice Messaging**

- **Variable Discount Reflecting School Needs**

UNIVERSAL SERVICE: EDUCATION

- **Advanced Learning Link**
 - » High Capacity Digital Services
 - » Video Conferencing
 - » Distance Learning

UNIVERSAL SERVICE: HIGH-COST ASSISTANCE

- **Separate mechanism for Price Cap LECs and Rate of Return LECs**
- **Rate of Return LECs**
 - » Use actual study area costs
 - » Transition Long Term Support (LTS) to interstate high-cost fund
- **Price Cap LECs**
 - » Target Funding using “proxy costs”
 - » Use the Benchmark Cost Model (BCM)

UNIVERSAL SERVICE: DEFINITION FOR PRICE CAP COMPANIES

- **A single residential line with access to:**
 - » local and long distance calling
 - » touch-tone dialing
 - » directory listing
 - » operator services
 - » emergency services
 - » Teletype Relay System services

UNIVERSAL SERVICE: BENCHMARK COST MODEL

SINGLE LINE COST PER MONTH

| <u>Cost Range</u> | <u>Support</u> |
|-------------------|----------------|
| < \$60 | \$0 |
| \$60 - \$70 | \$10 |
| \$70 - \$80 | \$15 |
| \$80 - \$90 | \$20 |
| \$90 - \$100 | \$25 |
| > \$100 | \$30 |

**UNIVERSAL SERVICE:
PRICE CAP LECS**

Current Funding \$295M

BCM Results \$521M

UNIVERSAL SERVICE PRICE CAP LECS \$ (M)

| | <u>Current</u> | <u>New</u> |
|---------------|----------------|------------|
| AMERITECH | --- | \$11 |
| BELL ATLANTIC | \$4 | \$8 |
| BELL SOUTH | \$48 | \$48 |
| GTE | \$177 | \$185 |
| FRONTIER | \$3 | \$10 |
| LINCOLN | --- | \$5 |
| NYNEX | \$8 | \$13 |
| PACTEL | --- | \$25 |
| SNET | --- | --- |
| SOUTHWESTERN | \$1 | \$55 |
| UNITED | \$51 | \$46 |
| US WEST | \$3 | \$114 |

UNIVERSAL SERVICE: FUNDING

- **Could be individual national funds, however monies collected through a single mechanism**
- **Funding**
 - » Competitively neutral
 - » Based on interstate retail revenues
 - » All interstate carriers apply a percentage surcharge to their interstate customers' bills

UNIVERSAL SERVICE: SUBSCRIBERSHIP

- **Toll Limit**

- » Establish flexible credit limits based on individual's credit history

- **Debit Cards**

- » Bridge needs of customers that exceed conventional credit limits

ACCESS REFORM

- **COMMISSION SHOULD ADOPT REGULATORY FRAMEWORKS THAT REFLECT EVOLVING COMPETITION**

LEGISLATION SPEEDS NEED FOR ACCESS REFORM

- **Act opens local markets to competition**
- **Results in competitive switched access market**
- **Competitive markets can not support averaged prices**

ACCESS REFORM: FRAMEWORK A -- BASELINE

- **The Transport Interconnection Charge (TIC)**
 - » Separate current transport costs from residual amount
 - » Move residual to Separate Basket
 - Freeze revenue level
 - Target future price decreases
 - Eliminate as embedded plant base is amortized
 - Charge IXC based on market share of minutes
- **Introduce new Feature Group “E”**
 - » Designated for Enhanced Service Providers
 - » Data transport
 - » Cost priced

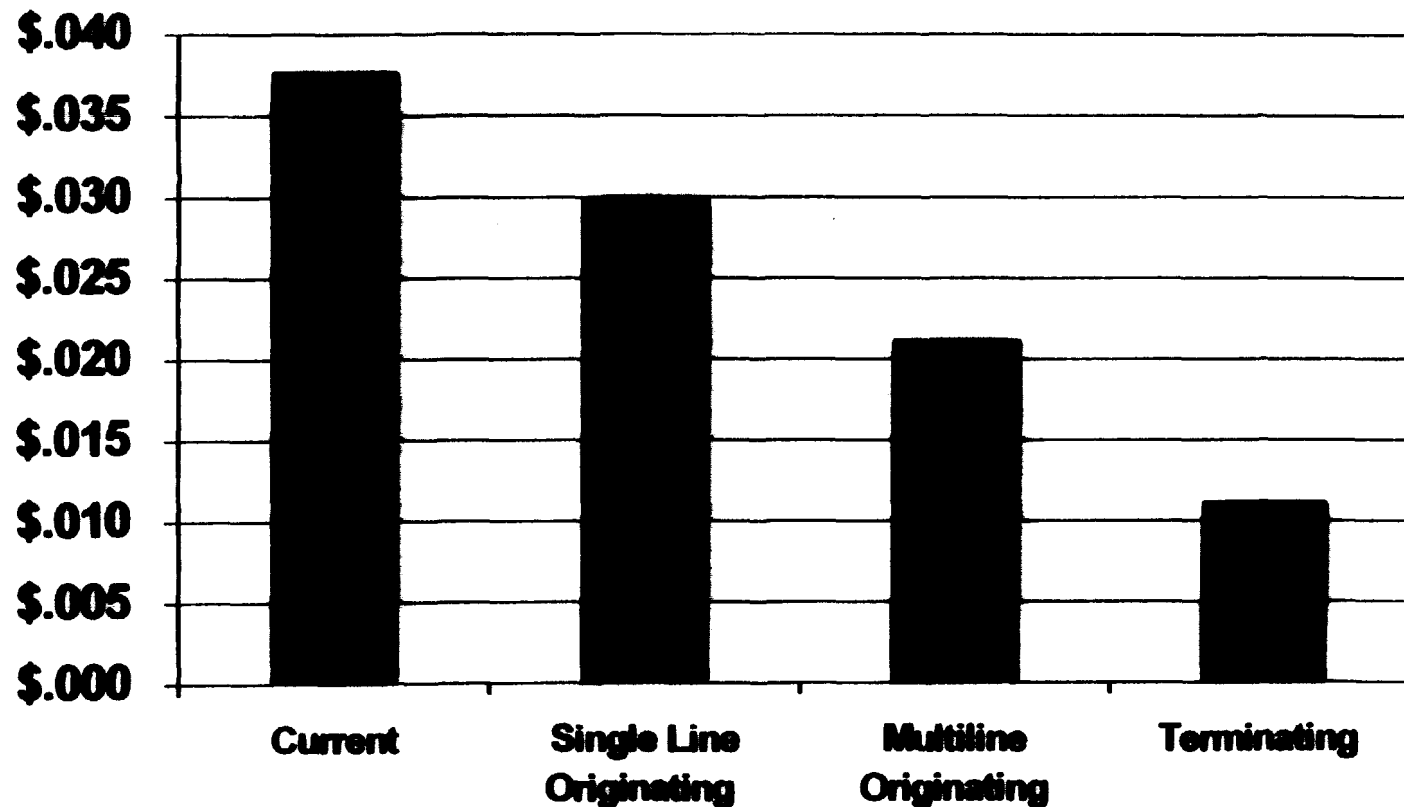
ACCESS REFORM: Framework B

- **“USPP” like rate structure**
 - » Access rates by zone, and by single line and multiline usage
 - » Reduce multiline Carrier Common Line (CCL) to \$0.00
 - » Remove non-traffic sensitive costs from Local Switching
 - Recover both multiline CCL and non-traffic sensitive Local Switching from IXCs on a per line basis
 - » NECA Long Term Support removed
 - Part of small LEC Universal Service Fund
- **Increase single line EUCL by \$.50 (to \$4.00)**

ACCESS REFORM: Framework C

- **Establish separate originating and terminating switched access rates**
 - » Single line CCL → Apply to originating only
 - » Traffic cost based TIC → Apply to originating only
- **Single line EUCL in zones 2 & 3 increase by \$1.00 (to \$5.00)**
- **Realign Price Cap Baskets**
 - » Switching
 - » Trunking
 - » Residual

ACCESS REFORM: PROPOSED SWITCHED ACCESS RATES



- Proposed per line charge to IXC's of --
- Proposed TIC Recovery of --

\$1.50/line/month
\$35M/month